

“**FEMA’s Gulf Coast Rebuilding Efforts: The Path Forward**”

Congressional Testimony of  
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Chairman Thompson and members of the Committee, I am pleased to appear before you this morning and very much appreciate your invitation.

The purpose of my testimony today will be to provide you with some observations about the Gulf Coast recovery efforts and how that can help inform future approaches to the way the federal government works with state and local governments to rebuild in the aftermath of a major catastrophe.

In general, I have four observations:

1. Any short- and long-term post-disaster recovery effort requires a well-greased federal-state-local partnership, with the federal government actively providing tools and flexibilities to states and localities to succeed.
2. In a major disaster like Hurricane Katrina, the federal government needs to get its own house in order by creating an independent “office of disaster recovery,” that has the authority to promote integrated approaches, facilitate state and local implementation, and achieve results.
3. Federal leaders should then reward state and local leaders for achieving a clear set of recovery outcomes that go beyond just speed and fraud prevention to goals of sustainability, inclusion, and economic prosperity.
4. Finally, the federal government needs to provide better data and transparency to help federal, state and local leaders track recovery progress against key goals and outcomes.

I do want to preface that I am not an expert on FEMA or emergency preparedness, as are some my colleagues here at this hearing. I have also spent the bulk of my work on tracking the post-Katrina recovery of greater New Orleans and unfortunately have spent less time in Texas, Mississippi, and Alabama. Finally, I am primarily an expert on ways to create healthy and prosperous cities and metropolitan areas, large and small, and the role that federal, state, and local governments play in that, with their private sector and nonprofit partners. There is nothing like a massive, unprecedented natural disaster to test what one knows about the effectiveness of the federal-state-local relationship in

rebuilding communities. I hope it is that broader perspective that can bring some unique value to you today.

Let me walk through each of these observations.

**1. Any short- and long-term post-disaster recovery effort requires a well-greased federal-state-local partnership, with the federal government actively providing tools and flexibilities to states and localities to succeed.**

Hurricane Katrina brought into sharp focus the reality that no one single level of government has the resources and knowledge to address the scale of post-disaster recovery alone. We live in a federalist democracy. To restore the physical, economic, social, and civic fabric of New Orleans, Biloxi, and other Gulf Coast communities requires effective federal-state-local partnerships—and public-private sector collaborations. And each level of government has a unique role to play in post-disaster recovery.

The federal government needs to take the lead right after a major disaster because, as we witnessed with Hurricane Katrina, states and localities are often completely incapacitated with no resources or capacity to respond to the disaster. Three years after Hurricane Katrina, the federal government remains the primary agent for funding and facilitating recovery, with many of those dollars still requiring federal approval and oversight. For instance, the federal government has awarded \$17 billion in supplemental Community Development Block Grant (CDBG) funds to each of the impacted Gulf States to primarily rebuild housing and support other community redevelopment. Nearly \$20 billion is specifically dedicated to state and local infrastructure repairs, the rebuilding of the levees, and coastal restoration. And another \$13.8 billion in tax credits and tax relief have been provided in the Gulf Opportunity Zone (Go Zone) for businesses, housing, and economic development.

Meanwhile, the states are critical because they ultimately set the rules for redevelopment. They apply for and set the programmatic vision for how to spend the federal recovery dollars, such as with CDBG. By their very nature, states also govern how funds are spent on transportation, land use planning, economic development, higher education, and the system of levees, wetlands and the overall coastal restoration. Further, states can leverage or match federal dollars with their own funds, which they often do. Finally, the feds cannot bypass the states and go directly to localities because large-scale disasters hit multiple cities and counties in a state.

Finally, local leadership is absolutely critical. Cities or counties are the largest champions for articulating a vision and priorities for state and federal funds. And there recovery responsibilities that are wholly local, such as addressing blight and vacant properties, zoning and land use to accommodate future growth and housing, and providing key public service delivery, such as schools, public safety/crime, code enforcement and issuing a smooth permit process for accelerating housing renovations.

As much as the media have tried, there is not a single level of government to blame for a lack of progress in the Gulf Coast. The federal government, states, and localities are inextricably linked and if any one of those is not performing well, the whole system is ineffective. For their success, communities in Mississippi want Washington to streamline regulations to speed up the pace of spending in FEMA public assistance and CDBG

funds. For their part, Washington needs local leaders to be strategic yet responsible with their dollars and not succumb to wasteful, fraudulent spending. Local homeowners in Louisiana want a state to develop a well-conceived housing repair program. As a nation, we need all three levels of government—federal, state, and local—to be capable, coordinated, and accountable to the successful recovery of a region.

Finally, it is incumbent for the federal government to be an active partner to states and localities in this federalist system. It is not enough to push massive amounts of monies out the door and then merely hold states and localities accountable for their spending, as President Obama recently declared before governors and mayors regarding the economic recovery plan. Instead, the federal government must give states and localities the tools and flexibilities to succeed.

Which brings me to the next point.

**2. In a major disaster like Hurricane Katrina, the federal government needs to get its own house in order by creating an independent “office of disaster recovery,” that has the authority to promote integrated approaches, facilitate state and local implementation, and achieve results.**

Many state and local leaders have praised the Office of the Federal Coordinator for Gulf Coast Rebuilding, which is situated in the Department of Homeland Security (DHS). In practice, the office did not have the independence or sufficient authorities to deliver optimal impacts on the ground.

First, such an office should ideally be placed in the White House with direct report to the president. This is important for state and local leaders for several reasons: (1) it demonstrates that long-term recovery is a priority; (2) it removes a direct report to a cabinet secretary (e.g. the Department of Homeland Security), facilitating decision-making; (3) it better enables the true cross-agency vision and collaboration that is needed to facilitate short- and long-term recovery, especially between FEMA/DHS, HUD, HHS, Education, and DOJ; and (4) it allows a neutral, independent ability to mediate issues that arise between two agencies that stifle state and local implementation. For instance, if rebuilding a specific piece of state or local infrastructure is delayed due to conflicting regulations between the use of FEMA funds and CDBG funds, then there is a concern that, under the current model, FEMA would always fare better in such disputes.

Second, such an office should identify explicit goals and outcomes for post-disaster recovery and then be given the powers and authorities to help realize those outcomes. It is not sufficient to merely “coordinate.” Such an office should be given the mandate to work with key federal agencies to identify a unified set of goals and benchmarks for Gulf Coast recovery, that reflect shared objectives with state and local leaders in the region. The office should then be given the leadership and broad authorities to ensure that key federal agencies are working independently and collectively to meet these goals and benchmarks. Such authorities could include the powers to lead, convene, and manage interagency initiatives, help guide and facilitate specific Gulf Coast-related decisions and activities at individual agencies, and review and approve (or “certify”) the budgets of select agencies prior to their submission to OMB. As of now, the federal coordinator is merely a coordinator, with the force of personality and the reliance of good relationships to bring about results. To be sure, these are important qualities, but the coordinator should also have the structural support to ensure that FEMA, HUD, SBA, the Army

Corps of Engineers and other agencies work towards a shared plan and vision for bringing about results in the Gulf Coast, rather than be individually caught in the whims of other priorities within their federal “silos.”

What would be such outcomes? For instance, this office could set such critical goals and targets as: (1) ensuring 100 percent spend-down of existing federal dollars at the end of a date certain; (2) ensuring on-time delivery of federally-led initiatives, such as public housing redevelopments and levee modernization; and (3) increasing the capacity of local governments, nonprofits, and private actors so they can implement key parts of long-term recovery, such as housing, public school reform, health care reform, and economic development. As such, this office should also work with state and local officials to identify other quantifiable objectives that ensure that New Orleans and other Gulf Coast communities emerge as more competitive, inclusive, and sustainable communities.

By having a powerful, outcome-oriented partner, states and localities would benefit from collaborating with a more effective, unified, rather than fragmented, federal government.

Finally, the office should be charged with collecting “lessons learned” to continually inform the laws, regulations, policies and approaches regarding future disaster recovery responses.

**3. Federal leaders should then reward state and local leaders for achieving a clear set of recovery outcomes that go beyond just speed and fraud prevention to goals of sustainability, inclusion, and economic prosperity.**

Most philanthropists today ask their grantees: What are your indicators of success?  
Most private investors ask: What is my return on investment?

When it comes to Gulf Coast recovery, federal leaders tend to hold state and local leaders accountable for two outcomes: how fast they are spending down existing monies (regardless of whether those funds are spent wisely or strategically) and how responsibly they are in spending those funds?

No doubt, it is important to spend down existing funds before one seeks new funds. And we all want to prevent fraud, waste, and abuse.

But, imagine what we could accomplish if federal, state, and local leaders worked together on mutually determined, grounds-up indicators of success in a post-disaster context? The Army Corp of Engineer has set a goal to rebuild a 100-year flood protection levee system in the Gulf Coast by 2011. Imagine identifying other social and economic goals:

- In two years, all dislocated homeowners will be in safe, affordable more long-term housing so they can have the platform for family stability, job security, and stronger mental health.
- In two years, repair or replace 20 percent of all of the damaged small-unit rental apartments in the Gulf Coast.
- Twenty percent of new jobs from housing repairs, reconstruction, landscaping and other housing-related occupations will be set-aside to train and upgrade the skills of existing residents

As we all know, prior to the storm, New Orleans was plagued with high concentrations of poverty, a stagnant economy with a weak workforce, and a region that was growing in unsustainable ways.

No doubt, the city had enormous assets. But federal investments, taxpayer dollars, and even philanthropic dollars must not replicate the same city and metro area as before. These efforts must help greater New Orleans rebound from Katrina as a better version of itself: safe, economically robust, with opportunities for all.

To do this, the federal government can consider providing planning grants to states or localities to develop unified plans with community goals and concrete performance outcomes that help guide and prioritize federal and state spending.

It can evaluate the impact of fraud prevention and increased accountability rules and policies on state and local achievement of their programmatic and larger outcomes.

The bottom line: Federal rules and regulations need to move beyond a “gotcha” mentality on states and localities, and instead help state and local leaders affirmatively create a more prosperous community for the nation in the long-run.

**4. Finally, the federal government needs to provide better data and transparency to help federal, state and local leaders track recovery progress against key goals and outcomes.**

The best federal-state-local partnership is one that supports outcome-oriented decision-making. To hold each level of government accountable for outcomes assumes that we can quantify and keep track of those outcomes.

Not really.

Since the fall of 2005, the Brookings Institution Metropolitan Policy Program has been tracking the recovery trends in New Orleans and Louisiana, as well as related federal, state and local policy developments.

The main resource we provided was a publication called *The Katrina Index*, which relied on 40 indicators to track the population, housing, and economic recovery of the New Orleans region. For two years, we issued *The Katrina Index* on a monthly basis to members of the media, key decision makers, nonprofit and private sector groups, and researchers. The *Index* served as an independent, fact-based, one-stop resource to monitor and evaluate the progress of on-the-ground recovery in New Orleans, Louisiana and some of Mississippi.

In 2007, *The Katrina Index* was renamed *The New Orleans Index* and is now a joint collaboration between the Greater New Orleans Community Data Center and the Brookings Institution in order to bring an even better, more tailored assessment of recovery of the New Orleans region.

The value of the New Orleans Index is that it helps decision-makers understand the progress of recovery and help identify where the outstanding needs are and thus policy

priorities. For instance, the last New Orleans Index, released in January 2009, found that:

- the population of New Orleans is climbing up again after months of stagnation;
- the New Orleans region gained jobs this past quarter while the nation continued to shed them;
- there are approximately 79,000 blighted and abandoned properties in the city of New Orleans; and
- rent prices continued to climb, now reaching 52 percent higher than before the storm.

Despite all of our data, which are primarily collected at the state and local level, we do not know the following:

If a goal is ensure that New Orleans remains a diverse city, home to many original residents, we don't know how many residents today are returnees and how many are newcomers and their characteristics. We don't even have the status and location of all former federally-assisted housing residents in the city.

If a goal is to help accelerate the spend-down of existing funds, we don't have the status of federal spending by state, parish or county, in the aggregate or by funding type, beyond the FEMA public assistance dollars and temporary housing assistance.

If a goal is to help save the small mom and pop stores that are at the heart of many tourist communities and others in the Gulf Coast, there is no good data on small businesses (opening, closures, etc.)

Finally, federal population estimates are often more difficult to obtain at smaller geographies, which hampers the ability to track trends or progress in low-population density communities such as Mississippi, where the best data we can get is at the metro area level (e.g., Gulfport-Biloxi) rather than at the county or city level.

The Department of Homeland Security has made important inroads in making federal spending of FEMA funds transparent at the local level. However, as data become more available, so should transparency initiatives.

For future mega-disasters, the federal government should consider:

- Mandating the reporting of all federal short- and long-term recovery spending across the agencies at the project and geographic level
- Setting aside appropriations and staffing for the Census Bureau to do special population or housing estimate counts for disaster-impacted areas (for instance, the American Housing Survey, which is conducted every two years, has not been done for New Orleans since before the storm, and we need critical assessment of housing market, housing quality, and demographics there).
- Creating a federal one-stop shop of all population, labor, economic, and housing statistics for disaster-impacted areas for easy access for reporters, researchers, and decision-makers

In short, I believe that the three years since Hurricane Katrina has taught us the importance of a strong and sustained federal-state-local partnership in post-disaster recovery. We remain at the beginning of a long-term rebuilding effort and I believe there is still time to apply more concrete goals and outcomes in the Gulf Coast such that three years from now, New Orleans and other Gulf communities will be on a stronger path towards lasting prosperity.

I very much appreciate the opportunity to appear before you, and would be pleased to answer any questions you might have.